

Date: July 25, 2002

To: Mr. Tony Usibelli, Energy Division Director, Washington State Office of Trade and Economic Development

From: Kelly Norwood, Avista Utilities

Subject: Initial Comments on Washington State Energy Strategy

Thank you for the opportunity to participate and provide comments on the development of revisions to the Washington State Energy Strategy (Energy Strategy). In reviewing the guiding principles and general themes of the prior Energy Strategy, many of them are still pertinent today in many respects. With regard to the Guiding Principles, the Principles shown below reflect my comments and include minor revisions to the substance of the Principles, along with a suggestion to consider re-ordering the Principles, starting with the broader Principles and moving toward those that are more specific. My suggested changes to the Assumptions, again, are relatively minor, and include some specificity regarding the preservation of the benefits of the Northwest federal-based hydroelectric system for Northwest consumers. Finally, I have included some short-term and long-term issues for consideration as we move forward in this process.

Guiding Principles:

1. Promote access to affordable and reliable energy to meet basic social and economic needs for all citizens, business, and industry.
2. Provide opportunity for participation by the State's citizens in the Strategy and provide information and education to enhance understanding.
3. Respond creatively and prospectively to political, social, and environmental changes effecting the use and supply of energy.
4. Support diversity in energy supply, including, but not limited to, new technologies and renewable resources such as wind, geothermal, hydro, fuel cells, biomass, and solar technologies.
5. Use sound economic, scientific data and analysis as the basis for energy policy.
6. Use market forces, along with clear, fair rules and laws to accomplish objectives.
7. Foster mutually beneficial relationships with nearby states and provinces to help accomplish Washington's and the Pacific Northwest's energy goals.
8. Implement cost-effective energy policies that minimize adverse environmental impacts.
9. Promote cost-effective energy conservation.
10. Lead by example with energy efficiency in state and local government operations.

Assumptions:

1. Regional electricity supplies appear adequate to 2006 (NWPPC, BPA).
2. Plants under construction will be finished.

3. The benefits of the Northwest federal-based hydro system will be preserved for Northwest consumers.
4. Learned important lessons from 2000/2001 (markets, demand, risk, conservation, economic impacts).
5. Wholesale Market
 - a. Continuation of a mix of IPP and utility generation.
 - b. Continued market volatility.
 - c. Achieving appropriate balance of market forces and regulation for the wholesale market will take time.
6. Continued Federal/State tension.
 - a. Resolution of transmission planning and operation issues (e.g., RTO's) will take time.
7. Full-scale retail restructuring will not likely occur in the near future.
8. Some DSI loads will return.

Short-term and Long-term Issues for Discussion:

1. Support the preservation of the benefits of the Northwest federal-based hydroelectric system for Northwest consumers.
2. The local load-serving utility should take the responsibility to plan and acquire adequate resources to serve end-use customer loads.
3. Need to rebuild support from the financial community so that dollars are available to invest in new infrastructure for the electric industry.
4. Support upgrades to existing hydroelectric facilities to improve efficiency.
5. Support a diverse mix of resources to serve future load requirements, including new technologies.
6. Promote the safety and security of energy and energy-related facilities.